

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 1170 - HB 1863

March 27, 2011

SUMMARY OF BILL: Exempts any new limited liability corporations (LLCs) or foreign LLCs from the initial filing fees associated with articles of organization or other documents filed with the Secretary of State. For each subsequent year, the Secretary of State shall collect an annual fee equal to \$50 per LLC member in existence on the date of the filing of the annual report, with a minimum fee of \$300 and a maximum fee of \$3,000.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues - \$3,775,200/Recurring

Increase State Expenditures - \$2,000/One-Time

Assumptions:

- Currently, LLCs are required to pay filing fees when filing formation or registration documents.
- According to the Secretary of State, the average number of LLC formations is 12,584 per year. The average formation was calculated based on actual LLC formation filings from FY07-08 through FY09-10. Entity statistics are as of February 10, 2011.
- Under current law, the registration fee for each LLC formation is \$50 per member with a minimum fee of \$300 and a maximum fee of \$3,000. This estimate assumes that the minimum registration fee of \$300 will be charged.
- The recurring decrease in state revenue from the loss of fees will be \$3,775,200 (12,584 x \$300).
- Revenues are allocated 97 percent to the General Fund (\$3,661,900) and three percent to the Secretary of State (\$113,300).
- A one-time increase in state expenditures of \$2,000 for business analysis by IT Pro Contractor and program coding changes. Business analysis hours are estimated at 30 percent of programming code hours.

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CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/rct